

Investments at a glance



Canadian Securities Administrators

Securities regulators from each province and territory have teamed up to form the Canadian Securities Administrators, or CSA for short. The CSA is primarily responsible for developing a harmonized approach to securities regulation across the country.

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Canadian Securities
Administrators

Autorités canadiennes
en valeurs mobilières



This guide tells you about different kinds of investments and some things to keep in mind when you're considering an investment.

The **Canadian Securities Administrators (CSA)** have put together this guide to help investors learn more about their investment options. Our members include the 13 securities regulators of Canada's provinces and territories. If you have questions or want more information, contact your local securities regulator listed on the back cover.

Before you invest

Make sure you understand how the investment works, including any fees, and whether it fits with your goals and risk tolerance. In investing, the higher the potential return, the higher the risk. There's no such thing as a high return, risk-free investment. If you want higher returns, you have to be prepared to accept the risks that go along with them.

Income tax is another important consideration. Interest, dividends and capital gains are all treated differently for tax purposes and that will affect your return from an investment.

A registered adviser can help you assess your financial needs, goals and tax situation. An adviser can also help you build a portfolio and recommend suitable investments for you.

Whether you have an adviser or invest on your own, don't invest in anything that you don't fully understand. Take your time when making investment decisions and never sign documents you have not read carefully.

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Cash and cash equivalents

This includes money in your bank account and investments that are like cash because they are generally very safe and give you quick access to your money. However, they have relatively low rates of return compared to other kinds of investments.

Investment	Return	Risk	Costs	What else you should know
Savings bond – A loan to a government that is secured by the general credit and taxation powers of the government	Interest	Very low	None	<p>Savings bonds offer terms of one year or more. You can buy them from most banks, trust companies, credit unions and investment dealers. They are usually offered for sale at certain times of the year. There may be limits on how much you can buy.</p> <p>Most savings bonds guarantee a fixed rate of interest for each year to maturity. Some have a minimum rate of interest that can be increased by the issuer if market conditions change.</p> <p>There is virtually no risk of default because savings bonds are guaranteed by the government that issued them.</p> <p>Some savings bonds must be held until maturity. Others let you redeem at any time or only at certain times, for example, every six months. You generally can't sell or transfer your savings bonds to someone else.</p>
Treasury bill (T-bill) – A short-term loan to a government	Interest	Very low	Commissions are built into the price of the T-bill.	<p>Terms are less than one year. T-bills are usually sold in large denominations. You buy them from an investment dealer.</p> <p>T-bills do not make interest payments but are sold at a discount and mature at face value. The difference is your interest income.</p> <p>There is virtually no risk of default. The short-term nature of T-bills means there is low risk that changes in interest rates will cause their market value to change significantly.</p> <p>You can't redeem a T-bill before maturity but you can easily sell it back to the investment dealer. However, this may result in a lower rate of return.</p>

Cash and cash equivalents cont'd

Investment	Return	Risk	Costs	What else you should know
Guaranteed investment certificate (GIC) – Deposit certificate issued by a financial institution	Interest	Low to medium	None, although you may have to pay a fee if you cash in a GIC early	<p>Terms typically range from 30 days to 10 years. You can buy them at banks, trust companies and credit unions.</p> <p>Most GICs pay a fixed rate of interest to maturity. The rate of return on some GICs may vary based on the performance of an index, such as a stock market index.</p> <p>GICs are guaranteed by the issuer. The principal may be insured up to certain limits by a deposit insurance agency like the Canada Deposit Insurance Corporation. As a result, there is very little risk that the principal will not be repaid. However, if the GIC's return is tied to an index, there may be a risk that interest payments will be lower than expected or there may be no interest payments at all.</p> <p>Most GICs must be held to maturity but some may allow you to redeem early. You may have to pay a fee.</p>
Money market fund – Mutual fund that invests in short-term fixed income securities	Distributions of interest	Low to medium	See Mutual fund on page 10.	<p>Money market funds are usually issued at a fixed price of \$10.00 per unit or share. The return you receive will vary depending on the investments the fund holds. In general, returns follow current short-term interest rates.</p> <p>Most money market funds are usually low risk because they invest in high quality short-term securities. Others may invest in riskier securities to increase returns.</p> <p>See the Investment funds section for more details about how mutual funds work.</p>

Fixed income securities

When you buy a bond or other “fixed income security”, you are lending your money to a government or company for a certain period of time. In return, they promise to pay you a fixed rate of interest at certain times and to repay the “face value” at the end of the bond’s term (its maturity date).

The value can change

Fixed income securities may be bought and sold at a price higher or lower than their face value. The value of a fixed income security will fluctuate as interest rates change. For example, if interest rates go down, the value of a bond would normally go up because its relatively higher fixed interest payments are more attractive to investors. Changes in the credit rating of the issuer can also affect the value. You can make money if you sell a fixed income security for more than you paid for it (capital gain) or lose money if you sell it for less (capital loss).

Figuring out your return

The actual return or “yield” that you earn on a fixed income security depends on the price you pay for it and the time remaining until it matures. For example, a bond with an interest rate of 5% will pay you \$50 a year for each \$1,000 in face value. If you buy the bond for \$950, your actual rate of return will be higher than 5%. If you buy the bond for \$1,050, your actual rate of return will be lower than 5%. Calculating the yield precisely can be complex but a financial adviser can do this for you.

Investments may not be guaranteed

Many fixed income securities come with a guarantee and are relatively safe. They tend to offer better rates of return than cash-equivalent investments because you’re taking on more risk by lending out your money for a longer period. Other fixed income securities, like “junk” bonds, offer much higher rates of return, but they can be very risky and have no guarantees.

Where to buy

Most fixed income securities are sold through investment dealers.



What is face value?

The face value is the value the fixed income security was issued at and is the value you receive when it matures. Interest payments are based on the face value. For example, a bond that has a face value of \$1,000 and an interest rate of 5% would pay you \$50 a year.

Fixed income securities cont'd

Investment	Return	Risk	Costs	What else you should know
Bond – A loan to a government or company that is secured by the government's power to tax or by specific company assets	Interest Capital gains (losses)	Low to high	Commissions are built into the price of the bond.	<p>Terms typically range from one year to 30 years.</p> <p>Interest is usually paid at a fixed rate that is determined when the bond is issued. The rate will depend on interest rates and the credit rating of the issuer at the time the bond is issued. For example, the rate will be relatively higher if there is a greater risk that the issuer will default on its payment obligations.</p> <p>If the company is dissolved, bondholders have a right to a portion of the company's remaining assets. They rank behind tax authorities, employees and creditors but ahead of preferred and common shareholders.</p>
Debenture – A loan to a company that is not secured by specific assets, but may be secured by the issuer's general assets	Interest Capital gains (losses)	Low to high	Commissions are built into the price of the debenture.	Debentures work the same way as bonds.
Stripped bonds (strips) – Interest payment coupons and the principal portion of a bond that have been separated from each other and are sold as individual investments	Interest Capital gains (losses)	Low to medium	Commissions are built into the price of the bond.	<p>Terms typically range from 18 months to 30 years.</p> <p>Strips are sold at a discount and mature at face value. The difference is your interest income. The longer the term to maturity, the deeper the discount.</p> <p>Strips generally have higher yields than regular bonds with similar terms and credit quality.</p> <p>Because the income you earn is deferred, you should seek tax advice before investing in strips outside a registered plan like a Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF) or Registered Education Savings Plan (RESP).</p>
Mortgage-backed securities (MBS) – An ownership interest in a pool of mortgages	Interest Capital gains (losses)	Low to medium	Commissions are built into the price of the mortgage-backed security.	<p>Terms typically range from one year to 10 years.</p> <p>MBS offer fixed rates of return and usually make monthly income payments. The monthly payments are made up of a share of the interest and principal payments associated with the mortgages.</p> <p>MBS are fully guaranteed by the Canadian Mortgage and Housing Corporation (CMHC).</p>

Equities

When you buy stocks or “equities”, you become a part owner in a business. You may be entitled to vote at the shareholders’ meeting and will receive any profits the company allocates to its shareholders. These profits are called dividends.

How you can make money

You can make money on a stock in two ways: if the stock increases in value and if the company pays a dividend. However, there are no guarantees that a stock will make money or that the company will pay a dividend.

The value of a stock can go up or down—sometimes frequently and sometimes by a lot. The value of a stock depends on many factors, such as the size, profitability and financial stability of the company, the capability of its management team, general economic conditions, competition and exposure to things like foreign currency risk. If you sell a stock for more than you paid for it, you will have a capital gain. If you sell it for less, you will have a capital loss.

Risk may be higher

Compared to fixed income investments, stocks can provide relatively high returns, but you may also have a higher risk of losing some or all of your investment.

How shares are traded

Shares are normally traded on stock exchanges, on alternative trading systems or through dealer networks known as “over-the-counter” markets. Shares that trade on stock exchanges are usually relatively easy to sell. Shares that do not trade on stock exchanges may be difficult or impossible to sell.

Equities cont'd

Investment	Return	Risk	Costs	What else you should know
Common share – A share that usually has voting rights	Dividends Capital gains (losses)	Medium to very high	Commission when you buy and sell shares.	<p>Common shareholders usually have the right to elect directors and to vote on certain major corporate decisions.</p> <p>Companies do not have to pay a dividend. Many larger, established companies try to pay regular dividends. Others may not pay a dividend because they are not profitable or they choose to reinvest their earnings.</p> <p>If the company dissolves, common shareholders generally have a right to a portion of the remaining assets. They rank behind tax authorities, employees, creditors and preferred shareholders.</p>
Restricted voting share – A share that has restricted or no voting rights	Dividends Capital gains (losses)	Medium to very high	Commission when you buy and sell shares	<p>These shares are similar to common shares except for voting rights.</p>
Preferred share – A share that usually pays a fixed dividend	Dividends Capital gains (losses)	Medium to high	Commission when you buy and sell shares	<p>Dividends are generally fixed. A company may reduce or suspend dividend payments if, for example, it does not earn enough profit or needs to preserve its capital.</p> <p>In general, the prices of preferred shares tend to fluctuate less than those of common shares. However, the prices of preferred shares may fall if:</p> <ul style="list-style-type: none"> • the company plans to reduce or reduces dividends • the rate of return of other investments increases, making preferred shares relatively less attractive <p>Preferred shareholders generally do not have voting rights, but may be offered special features such as the right to redeem their shares at certain times or to convert their shares to common shares at a certain price.</p> <p>If the company dissolves, preferred shareholders generally have a right to receive up to the face value of their shares from the company's remaining assets. They rank behind tax authorities, employees and creditors but ahead of common shareholders.</p>

Equities cont'd

Investment	Return	Risk	Costs	What else you should know
Flow-through share – A special type of common share issued by oil and gas or mineral exploration companies, or certain renewable energy or energy conservation projects, that allows certain tax deductions	Dividends Capital gains (losses)	High	Commission when you buy and sell shares	These shares allow certain tax deductions for qualifying exploration and development to “flow through” from the company to shareholders. Resource exploration and development programs are generally high risk. In addition, there is a risk that the company’s expenditures may not meet the strict requirements of the tax legislation. Tax deductions may not be allowed.
Rights and warrants – The right to buy additional securities from the company at a certain price within a certain period of time	Capital gains (losses)	Very low to very high	No fees on the issue or exercise of rights and warrants Commission when you buy and sell rights and warrants that are listed on a stock exchange	Rights allow shareholders to acquire more shares. They are usually issued in proportion to the number of shares an investor owns. Some rights and warrants are listed on stock exchanges. They may not trade actively. In some cases, rights may have resale restrictions or holders may be subject to restrictions on their ability to exercise the rights or warrants to acquire additional shares. Warrants generally allow shareholders to acquire other securities of the company during a specific time period at a set price. They are typically offered to investors with the sale of another security, like a common share. Rights and warrants have similar risk and return considerations as options.

Investment funds



Investment funds are a collection of investments from one or more asset classes. Each fund focuses on specific investments, like government bonds, stocks from large companies, stocks from certain countries, or a mix of stocks and bonds.

How investment funds work

When you buy an investment fund, you're pooling your money with many other investors. The main advantages are that you can invest in a variety of investments for a relatively low cost and leave the investment decisions to a professional manager.

Investment funds can be set up as trusts, corporations or partnerships. They are issued in units if they are set up as a trust or partnership, and shares if they are set up as a corporation.

Returns can include distributions to investors of dividends, interest, capital gains or other income earned by the fund. You can also have capital gains (or losses) if you sell a fund for more (or less) than you paid for it.

Investment funds cont'd

Investment	Return	Risk	Costs	What else you should know
<p>Mutual fund – A fund that continually issues units or shares to investors</p>	<p>Distributions of interest dividends and/or capital gains</p> <p>Capital gains (losses) when you sell your units or shares</p>	<p>Low to very high</p>	<p>You may have to pay:</p> <ul style="list-style-type: none"> • redemption charges • sales charges • switch fees • short-term trading fees • registered plan fees • minimum account balance fees <p>The fund pays:</p> <ul style="list-style-type: none"> • management fees • operating expenses (or a fixed administration fee) • trailing commissions (paid from management fees) • incentive fees 	<p>Mutual funds are widely available through investment firms, fund companies and banks, and are easy to buy and sell. When you buy or sell units or shares of a fund, you receive the current value of the fund. This is called the “net asset value” or NAV.</p> <p>The fees and expenses a fund pays are deducted from the fund’s assets. They reduce the returns you get on your investment.</p> <p>You have the right to vote on major decisions about the fund.</p> <p>The level of risk and return depends on what the fund invests in. Mutual funds are not guaranteed.</p>
<p>Closed-end investment fund – A fund that issues a finite number of units or shares, which may trade on a stock exchange</p>	<p>Distributions of interest dividends and/or capital gains</p> <p>Capital gains (losses) when you sell your units or shares</p>	<p>Low to very high</p>	<p>Commission when you buy and sell closed-end funds on an exchange</p>	<p>It may be difficult to buy or sell some closed-end funds if they are not listed on an exchange or they have a low volume of trading activity.</p> <p>The level of risk and return depends on what the fund invests in.</p>

Investment funds cont'd

Investment	Return	Risk	Costs	What else you should know
Exchange-traded fund (ETF) – A fund that holds the same mix of investments as a stock or bond market index and trades on a stock exchange	Distributions of interest dividends and/or capital gains Capital gains (losses) when you sell your units or shares	Low to high	You pay commissions when you buy or sell your units or shares. The fund pays: <ul style="list-style-type: none"> • management fees • operating expenses The fund may also pay trailing commissions.	ETFs typically follow an index but some are more actively managed. The fees and expenses for an ETF are often lower than what you would pay for a traditional mutual fund. If an ETF simply follows an index, the manager doesn't have to do as much research into investments or as much buying and selling of investments. The level of risk and return depends on what the fund invests in.
Segregated fund – An insurance product that combines investment funds with insurance coverage	Distributions of interest dividends and/or capital gains Capital gains (losses) when you sell your units or shares	Low to high	Same costs as mutual funds plus an annual insurance cost	Segregated funds are issued by insurance companies. The assets are held separately from the insurance company's other assets. You buy and sell segregated funds under an insurance contract. The contract comes with a guarantee that protects some or all of your investment if the markets go down. You generally have to hold the contract for 10 years to get this guarantee. Contracts usually have a death benefit that guarantees the amount your beneficiaries will receive. The level of risk and return depends on what the fund invests in.

Investment funds cont'd

Investment	Return	Risk	Costs	What else you should know
Labour-sponsored investment fund (LSIF) – A fund that provides venture capital to new and small businesses and offers tax incentives to investors	Distributions of interest dividends and/or capital gains Capital gains (losses) when you sell your units or shares	High	Same costs as mutual funds, although commission rates may differ from traditional mutual funds In addition to management fees, some LSIFs also pay the manager an incentive fee.	LSIFs are issued by labour organizations or financial institutions. These funds are riskier than traditional mutual funds. Tax credits may not be enough to offset any losses. LSIFs have a hold period, which can be as long as eight years. If you sell your fund before the end of the hold period, you may lose your tax credits. In Ontario, the tax credit for LSIFs will be eliminated at the end of the 2011 tax year.
Commodity pool – A fund that invests in derivatives or commodities that conventional mutual funds are not permitted to invest in	Distributions of interest, dividends and/or capital gains Capital gains (losses) when you sell your units or shares	High	You pay commissions when you buy or sell your units or shares. The fund pays: <ul style="list-style-type: none"> • management fees • operating expenses 	Some commodity pools are highly speculative and have higher risk than traditional mutual funds. You could lose most or all of your investment.

Alternative investments



Alternative investments represent some of the most complicated types of investments. For this reason, they usually have higher-than-average risk in return for higher-than-average return potential.

Alternative investments are typically meant for very knowledgeable investors or investors with a lot of money who can afford to take higher risks and get specialized advice.

Investment	Return	Risk	Costs	What else you should know
<p>Options – The right to buy or sell an asset at a specific price for a specific period of time</p> <p>A call option gives the holder the right to buy an asset at a specified price within a specified time.</p> <p>A put option gives the holder the right to sell an asset at a specified price within a specified time.</p> <p>The underlying asset may be a stock, a commodity, a currency or an index.</p>	Capital gains (losses)	Very low to very high	Commission when you buy and sell	<p>Many options are traded on exchanges. The holder of an exchange-traded option may sell it, exercise it to buy the underlying asset or let it expire. Exchange-traded options can usually be sold or exercised on short notice.</p> <p>Some options are not traded on an exchange and you may not be able to transfer them to someone else.</p> <p>Options do not pay dividends or interest. Returns will depend mainly on changes in the market value of the underlying asset. The market value of an option will tend to decline as it approaches its expiry date. Its value will be zero on the expiry date if it is not exercised.</p> <p>Risk depends on the underlying investment and how the option is used. For example, if you also own the underlying investment, options can help hedge against changes in prices. This can reduce risk. However, options can also be used to speculate, which increases risk.</p>

Alternative investments cont'd

Investment	Return	Risk	Costs	What else you should know
<p>Futures and forward contracts – A contract where the seller agrees to deliver to the buyer a specified amount of an asset at a specified price on a given date</p>	Capital gains (losses)	Very low to very high	Commission when you buy and sell	<p>Futures and forward contracts are traded on commodities such as grain, livestock, coffee, and financial products such as market indices, bonds, currencies and common shares.</p> <p>Futures contracts are traded on an exchange. Forward contracts are traded in over-the-counter markets and may be difficult to buy or sell. There may be no market at all for some forward contracts.</p> <p>Returns depend mainly on changes in the value of the underlying asset.</p> <p>Risk depends on the underlying asset and how you use the contract. Investors can use futures and forward contracts to reduce risk by hedging against changes in the price of the underlying assets. They can also use contracts to speculate, which increases risk.</p>
<p>Income trust – A trust that is designed to distribute cash to investors</p> <p>The most common types are:</p> <ul style="list-style-type: none"> • real estate investment trusts (REITs) • oil and gas income trusts, also known as royalty trusts • business income trusts 	<p>Distributions of income</p> <p>Capital gains (losses) when you sell your unit</p>	Low to high	<p>You pay a commission when you buy and sell your units.</p> <p>The trust pays management fees.</p>	<p>Some trust units are listed on a stock exchange. Others may have no established market. If there is no established market, trust units may usually be redeemed at their net asset value.</p> <p>Although trusts generally try to pay the same amount of distributions to investors each quarter, they can change or stop the payments at any time. Currently, there are no accounting standards or rules about how companies determine the amount of the cash they have available to distribute to investors (their “distributable cash”). This makes it difficult to compare income trusts based on distributable cash and to assess whether an income trust will be able to sustain its distributions over time.</p> <p>Many trusts offer tax advantages to investors. However, on October 31, 2006, the Department of Finance announced changes to the tax rules for income trusts, which are now law. These changes remove certain tax advantages income trusts had over corporations in the past. Income trusts that start up after October 31, 2006 are now taxed at the same rate as Canadian corporations. Income trusts that were formed before that date will be taxed at the corporate rate beginning in the 2011 tax year. The one major exception is certain REITs.</p> <p>Returns depend on the profits the trust receives from the assets it holds and on any tax benefits available to investors. With the tax changes, income trusts will likely pay out less cash in the future.</p> <p>Risk depends on the type and performance of the assets held by the trust. Trust investors are not insured against investment losses.</p>

Alternative investments cont'd

Investment	Return	Risk	Costs	What else you should know
<p>Limited partnership, including flow-through limited partnership – An interest in a partnership consisting of:</p> <ul style="list-style-type: none"> • a general partner who manages the partnership • limited partners who provide the investment capital <p>Limited partnerships typically seek to achieve capital appreciation by investing in a specific industry sector (such as real estate or oil and gas) that provides tax credits to investors.</p>	Distribution of income and capital gains (losses)	Medium to high	<p>Commission when you buy and sell your limited partnership interests</p> <p>The partnership pays:</p> <ul style="list-style-type: none"> • agents' fee • initial fees and expenses • investment adviser's fee • performance bonus • ongoing expenses • performance bonus • ongoing expenses • performance bonus • ongoing expenses 	<p>The liability of limited partners is generally limited to their initial investment, as long as they do not become involved in management.</p> <p>Returns depend on the success or failure of the business projects that the partnership takes on and any tax benefits.</p> <p>There is often no established market for these securities. In many cases, they are subject to legal restrictions on resale. Some partnerships may offer limited redemption privileges.</p> <p>If the partnership is dissolved, the assets and securities remaining after all debts have been paid are distributed among the limited partners.</p> <p>Flow-through limited partnerships are short-term limited partnerships that are usually rolled over to a mutual fund at the end of the term. However, there is no guarantee that this will happen. Instead, the partnership may be dissolved.</p>
<p>Principal protected note (PPN) – An investment that promises to return to you the original amount you invested (usually after six to 10 years)</p> <p>Any potential return above the principal is typically variable and is usually linked to a market index, a fund or another underlying investment.</p>	Interest Capital gains	Medium to high	<p>Fees associated with a PPN include:</p> <ul style="list-style-type: none"> • sales commissions • management fees • performance fees • structuring fees • operating fees • trailing commissions • early redemption fees • swap arrangement fees 	<p>PPNs offer the potential for higher returns while guaranteeing the principal amount of your investment.</p> <p>Your money is locked up for several years. If you take your money out early, you could lose the guarantee on your principal and you may be charged a fee.</p> <p>The various fees associated with a PPN can make it harder for you to make any money on your investment, even if the underlying market investment performs well.</p> <p>Although PPNs are sometimes referred to as deposits, certain PPNs may not be insured by the Canada Deposit Insurance Corporation or the Régie de l'assurance-dépôts du Québec.</p>

Alternative investments cont'd

Investment	Return	Risk	Costs	What else you should know
<p>Linked note – A hybrid investment product that combines the features of fixed income investments and derivatives</p> <p>The return is linked to the performance of an underlying benchmark, such as one or more stocks, a stock market index, a commodity, a currency, an investment fund or other portfolio.</p>	<p>Distributions of income or interest</p> <p>Capital gains (losses) when you sell your note</p>	Medium to high	<p>The following fees and expenses may apply to the note:</p> <ul style="list-style-type: none"> • agents' fees • structuring fees • management fees • early redemption fees 	<p>Linked notes are usually part of a medium-term note program of a bank or financial institution. They are typically unsecured debt obligations and have terms of three to seven years.</p> <p>Payment is usually only at maturity, although some linked notes may make payments throughout the term. The final payment is the amount invested multiplied by the gain or loss in the underlying benchmark.</p> <p>Most linked notes offer little or no protection of your principal.</p> <p>Linked notes are designed to be held until maturity. However, some issuers may buy back the notes before they mature. The price they offer may be lower than the price you paid to buy the note.</p>
<p>Hedge fund – An investment pool that uses advanced investment strategies not generally permitted for traditional mutual funds, such as leverage, long and short positions, and derivatives with the goal of generating high returns</p>	<p>Distributions</p> <p>Capital gains (losses) when you sell your fund</p>	High	<p>You may have to pay a sales charge when you buy or sell.</p> <p>The fund pays:</p> <ul style="list-style-type: none"> • management fees • operating expenses • trailing commissions • performance fees • early redemption fees 	<p>Like mutual funds, hedge funds pool money from many investors and a fund manager manages it. However, hedge funds have far more flexibility in what they invest in and can use complex, high-risk investment strategies to make money.</p> <p>Hedge funds are typically bought by sophisticated investors who can withstand significant risks to their investment and can make the minimum initial investment of at least \$150,000. Hedge funds are not as easy to sell as traditional mutual funds.</p> <p>Management fees can be higher than the management fees of typical mutual funds. Hedge fund managers use aggressive investment strategies that require them to do a lot of research and ongoing monitoring. They may trade often, which adds to the operating costs of the fund.</p> <p>Most hedge funds pay a performance fee if the manager makes or exceeds a certain level of return. This can equal up to 20% of what the fund makes.</p> <p>The level of risk and return depends on the fund you choose, the investment strategies and the skill of the fund manager. Because hedge fund managers make speculative investments, these funds can carry more risk than the overall market.</p> <p>In addition, some hedge funds can be sold without a prospectus because they have exemptions under securities law. You may not have the same legal rights as you do when you buy under a prospectus.</p>

Alternative investments cont'd

Investment	Return	Risk	Costs	What else you should know
<p>Foreign currency – Investing in different currencies to make money on changes in exchange rates</p> <p>Also known as “forex” or “FX trading”</p>	Capital gains (losses)	Medium to high	Commissions are built into the exchange rates.	<p>The foreign exchange market is the largest, most liquid market in the world. Investors use various instruments such as options, futures and forward contracts to trade currencies. In most cases, the size of the minimum trades required in foreign exchange trading means investors need to use leverage. This involves borrowing money through a margin account and using the securities as collateral. Leveraging can be very risky because you may be required to put up more capital if exchange rates don't move the way you expect them to.</p> <p>Trading in the spot forex market (a commodities market) is very risky and should be avoided unless you have sufficient financial resources and appropriate business acumen. Foreign exchange trading in the spot forex market is dominated by large international banks and it is very difficult to consistently beat these professionals.</p>



Know where to go for help

Securities regulators oversee Canada's capital markets and the advisers who sell and manage securities traded in those markets. We strive to protect investors from unfair, improper and fraudulent practices while fostering a fair and efficient marketplace.

Our free, objective guides can help you learn more about investing, how specific investments work and choosing an adviser. They're available on the Canadian Securities Administrators website at www.securities-administrators.ca or by contacting your local securities regulator listed below.

Investing basics: Getting started

Working with a financial adviser

Understanding mutual funds

Protect your money:

Avoiding frauds and scams

Members of the Canadian Securities Administrators

www.securities-administrators.ca

Alberta Securities Commission

www.albertasecurities.com
403-297-6454
1-877-355-4488

British Columbia Securities Commission

www.investright.org
604-899-6854 or
1-800-373-6393 (toll-free across Canada)

Manitoba Securities Commission

www.msced.ca
204-945-2548 or 1-800-655-5244

New Brunswick Securities Commission

www.investinknowingmore.ca
506-658-3060
1-866-933-2222 (NB only)

Financial Services Regulation Division Newfoundland and Labrador

www.gs.gov.nl.ca/securities/index.html
709-729-4189

Northwest Territories Registrar of Securities

www.justice.gov.nt.ca/SecuritiesRegistry
867-920-3318

Nova Scotia Securities Commission

www.beforeyouinvest.ca
902-424-2499
1-855-424-2499

Nunavut Registrar of Securities

867-975-6190

Ontario Securities Commission

www.osc.gov.on.ca
416-593-8314 or 1-877-785-1555

Prince Edward Island Office of the Attorney General

www.gov.pe.ca/securities
902-368-6288

Autorité des marchés financiers (Quebec)

www.lautorite.qc.ca
1-877-525-0337

Saskatchewan Financial Services Commission

www.sfsc.gov.sk.ca
306-787-5645

Yukon Securities Office

www.community.gov.yk.ca/corp/secureinvest.html
867-667-5466
1-800-661-0408